

Farm and Town Empowerment Plan

United States Senator Rod Grams

As one who grew up on a dairy farm and experienced all the joys of farming, the good years as well as the bad, I can relate to the concerns of farmers throughout Minnesota. Since being elected to the United States Senate I have held countless meetings with farmers, rural lenders and small business owners to discuss issues facing agriculture and the rural economy. On numerous occasions I have taken suggestions from these meetings and introduced legislation to address the needs of Minnesota's farmers.

It is no secret that many factors contribute - or subtract - from a producers bottom line. Not only does this include prices and input costs but taxes and regulatory issues. The 1996 Farm Bill was not the end of the transformation in agriculture policy, only the beginning. A number of initiatives outlined in my ***Farm and Town Empowerment Plan*** have already been introduced or are pending in Congress. Others are issues which must be addressed for the long-term vitality of family farmers and rural Minnesota.

It is not enough to just define the issues. Congress and the Administration must take bold and decisive steps to address both the short-term and long-term issues facing the agriculture sector.

Marketing Assistance Loans

- I have introduced legislation (**S. 1635**) which would extend the term of Commodity Credit Corporation (CCC) Marketing Assistance Loans to thirty - six months and allow the Secretary of Agriculture to extend them for an additional nine months. This will introduce more uncertainty in the marketplace and provide producers more flexibility in choosing when best to release their commodities in order to achieve the highest price.
- Congress should also look at adjusting commodity loan rates. This must be done in a manner which does not lead to crop surpluses or distortion of market forces.

Loan Deficiency Payments

Producers in Minnesota and other northern states have questioned the timing when it comes to being able to utilize the Loan Deficiency Payment (LDP). States farther south are able to begin harvest before Minnesota farmers and therefore are able to “lock in” a more favorable LDP. Although there is no guarantee that the LDP will be better in the late summer versus the fall, this would afford our farmers the chance to evaluate the markets and base their decision on what best fits their management plan.

Farmers must be afforded this additional option of “locking in” their LDP at an earlier date based upon their estimated yield. My proposal would do the following:

- Establish an earlier, more flexible starting date when all producers would have the option of locking in that day’s LDP. He or she would be able to do so once throughout the duration of the harvest season.
- Allow a producer to LDP 85% of the estimated yield on the day of his or her choosing.

Proposed National LDP Rate

The United States Department of Agriculture has been considering a national LDP rate structure. Such an approach is not market-orientated and is likely to result in pricing distortions. I have met with numerous producers who feel a structure based on regional terminals would be

better than a national LDP, which would have a negative impact on their bottom line. I have contacted Secretary Glickman and urged him to implement an LDP rate which does not place Minnesota farmers at a disadvantage.

Income Averaging for Agriculture Related Businesses

Retailers and local businesses are also impacted by a downturn in the agricultural economy and there is a need to address these concerns as well. As a result of conversations with implement dealers, lenders and other front line agriculture businesses I have proposed legislation (**S. 1860**) implementing three year income averaging for small agricultural related businesses. This is consistent with the income averaging proposal for farmers noted below.

Agricultural Tax Relief

In the next decade there will likely be a massive transfer of farm land to the next generation and farm families may be forced to sell property or equipment just to pay inheritance taxes. We certainly do not need government discouraging new farmers. Without changes in inheritance taxes many farms may be sold to absentee owners or large-scale operations. Targeted tax relief would have an immediate and dramatic impact on the bottom line of Minnesota's farmers. Unfortunately, a number of the measures included in my Farmer Tax Relief Act (**S. 1861**) have been passed by Congress but vetoed by the President.

- Raises the effective exemption from estate taxes to \$5 million and raises the gift tax exemption to \$25,000.
- Accelerates the 100% deductibility of health insurance premiums for family farmers.
- Authorizes Farm and Ranch Risk Management (FARRM) Accounts.
- Requires the United States Department of Agriculture (USDA) to place a high priority on projects that encourage the creation of farmer - owned facilities that process value - added agricultural products.
- Restores a tax exemption for value - added, farmer - owned cooperatives and extends declaratory judgment relief for the cooperatives affected by an IRS ruling.

- Increases to \$3,000 the threshold amount that triggers when a farmer and employed farm worker would have to pay payroll taxes.
- Gives the USDA discretion to use funds for rural development technical assistance.
- Exempts from the Alternative Minimum Tax (AMT) certain income from unincorporated farms.
- Includes a “reach back” provision which allows farmers to pull income from good years into a current down year.
- Excludes from gross income up to \$350,000 of capital gains from the transfer of property.
- Ensures that farm landlords are treated the same as small business people by removing the requirement that they pay the self-employment tax on cash rent income.
- Amends the tax code to treat lands which are contiguous to a principal residence and farmed for five years before the sale of the principal residence as part of such residence.
- Emphasizes market development education and technical assistance to operators of small and medium - sized farms. This is in addition to production assistance under the Rural Development Act.
- Requires USDA to explore new marketing avenues such as direct farm-to-consumer markets, local value - added processing and farmer - owned cooperatives.

Farm Service Agency Staffing

It is critical that adequate funding for Farm Service Agency (FSA) staff at the county level be a high priority for USDA. Although there is usually room for increased efficiency in any government program, the past restructuring efforts of Congress were never intended to diminish the service provided by these “frontline” employees.

The problem of inadequate staffing is particularly acute in Minnesota, and producers are simply not getting the timely service and information they need to make fully informed business decisions. Moreover, FSA county employees are working long hours without additional

compensation in order to mitigate problems caused by the staffing shortfall.

This problem must be addressed now either through reprogramming of fiscal 2000 funds at FSA or through a supplemental request. I have contacted President Clinton and Secretary Glickman urging them to address this situation in the President's FY 2001 proposed budget so that producers will receive adequate service at the county level as soon as possible.

Access to Foreign Markets

As agriculture continues to evolve we must remember the importance of free and fair trade. Exempting agriculture from all unilateral sanctions has been one of my long-time priorities.

- Early in 2000 the "Food and Medicine for the World Act" will be debated, and I will be working hard to pass it.
- The Administration must make agriculture barriers a top priority at the World Trade Organization (WTO) Ministerial which will develop the agenda for the next multilateral trade negotiations. I am of member of the WTO Farmers and Ranchers Caucus to help agriculture achieve its goals in these negotiations.
- The China WTO agreement will expand opportunities for Minnesota farmers. In addition, I strongly support permanent Normal Trade Relations with China to make that market more stable.
- I support the International Monetary Fund (IMF) and other efforts to restore economic growth in other nations to ensure farmers will have maximum export opportunities.

Access to Domestic Markets

It is just as important that we provide Minnesota farmers access to markets within the United States. We must revisit antiquated policies which at one point may have made sense but due to improvements in technology and transportation no longer address the situation they were originally intended to address.

I am a co-sponsor of the New Markets for State-Inspected Meat Act (**S. 1988**) which would repeal the prohibition of the interstate shipment of

State inspected meat products and establish a seamless inspection system relating to meat and poultry products. Minnesota presently has 15 plants under continuous inspection which are processing approximately 150,000 pounds of inspected product each month. Since state inspection programs currently must meet, or exceed, federal standards repealing this prohibition would have a direct impact on domestic market access for Minnesota producers.

Infrastructure

Whether farmers are shipping their commodities via water, rail or highway, a modern infrastructure is key in maintaining a competitive advantage. Our farmers need trucks, trains and barges as transportation options or they risk losing marketshare to aggressive foreign competitors.

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Market Concentration

Market concentration is an issue which is not unique to agriculture. However, there are legitimate concerns among farmers over market concentration and the prospect of non-competitive behavior between packers and retailers. These questions must be answered in a thorough

and deliberative manner in order to construct a balanced agricultural policy.

- The Department of Justice has the authority to review these matters and has announced it is stepping up its investigations. Congress must use its oversight authority to ensure that the Justice Department fully utilizes its existing authority to conduct vigorous, yet fair, investigations into these matters.
- A General Accounting Office (GAO) analysis I requested in three main areas: farm - to - retail price spreads, implications of market contracts and captive supplies, and anti-trust concerns including non-competitive pricing has been released. The report noted inadequacies in USDA's current price reporting legislation, which should be remedied by mandatory livestock price reporting legislation recently passed by Congress. Copies of this report are available by contacting my Washington, D.C. or Minnesota office.

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Mandatory livestock price reporting language was included in the FY 2000 Agricultural Appropriations bill. This provision will provide information that can be readily understood by producers, packers, and other market participants. This includes pricing, contracting for purchase, and supply and demand conditions information as it pertains to livestock.

In addition, this section improves the price and supply reporting services of the USDA and encourages competition in the marketplace for livestock and livestock products.

Regulatory Reform

The vast majority of farmers are excellent stewards of the land, yet time and again I have heard how the expense of excessive federal regulations contribute to the erosion of their bottom line. It is important that we protect the environment and prosecute those who do not play by the rules. By addressing these concerns we can also enhance the profitability of our farmers. The following actions should be taken:

- Immediate passage of the Regulatory Improvement Act of 1999 (**S. 746**) is essential. This legislation, of which I am a co-sponsor, provides for the analysis of major rules and promotes the public's right to know the costs and benefits of proposed federal regulations.
- Congress must utilize its oversight authority to ensure federal agencies use sound science and actual data in making determinations regarding pesticides and other inputs used by American farmers. Decisions must not be made on worst-case assumptions.
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- Allow for the planting of certain woody crops, such as poplar, which have a longer growing cycle but leave the land idled for a number of years. Such a program would keep land idled for a minimum of eight years while providing a unique habitat for wildlife. It would also promote growth of a renewable resource usable in diverse markets.

Crop Insurance

Crop insurance remains one of the unfinished agenda items of the 1996 Farm Bill, and it is not working as a risk-management tool. I introduced the Crop Insurance Reform Act (**S. 357**), the first such legislation in both the 105th and 106th Congress, to address the reverse-incentive inherent in the current premium subsidy structure. Specifically, my legislation would:

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Dairy Policy

The 1996 Farm Bill required the Secretary of Agriculture to consolidate milk marketing orders and propose an alternative pricing structure more reflective of market dynamics. Although this was done, regional interests in Congress reversed this reform and imposed "Option 1A," a pricing scheme that continues to discriminate against the Upper Midwest.

There is no room for regional politics in federal dairy policy and I will continue to introduce legislation which will allow Midwest dairy farmers to compete in a fair and equitable market and oppose legislation which harms Minnesota's dairy farmers.

- As stated above, Minnesota's dairy farmers continue to be victims of regional politics and I have introduced legislation (**S. 1930**) which will abolish the Milk Marketing Orders and the current antiquated price structure. Under deregulation Midwestern farmers would compete on a level playing field.
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Minnesota is a leader in biotechnology and finding new uses for our commodities. Agricultural research will continue to be a top priority for me.

Revitalizing Rural America

We must also look beyond problems specific to farmers to how we can ensure rural America, including our many small towns, can improve the quality of life for those who live there - and those who want to move back to a quieter lifestyle but lack opportunities. We need to look for ways to revitalize rural America.

- I have introduced the Rural Revitalization Act (S. 1859) which provides tax incentives for companies to invest in rural areas, provides jobs to revitalize the economy, or to provide jobs for farmers who need temporary or permanent work to help them keep the family farm.
- We must also not forget our rural communities when we debate education, health care, transportation, public safety, telecommunications and so many other issue areas that are often ignored when rural policies are debated.

Conclusion

As my *Farm and Town Empowerment Plan* indicates, it is important that we not only provide immediate assistance but also use the existing tools available to the Administration and Congress to deal with these issues. We must also move away from short term band-aids and must have a fair and honest debate concerning the direction we want farm policy to take in the United States.

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